Supreme Court, U.S.
FILED
OCT 12 1993
OFFICE OF THE CLERK

No. 93-405

In The

Supreme Court of the United States

October Term, 1993

DIGITAL EQUIPMENT CORPORATION,

Petitioner,

v.

DESKTOP DIRECT, INC.,

Respondent.

Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Tenth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

H. Ross Workman
Larry R. Laycock
Workman, Nydegger & Jensen
1000 Eagle Gate Plaza
60 East South Temple
Salt Lake City, Utah 84111
(801) 533-9800

John Paul Kennedy*
1385 Yale Avenue
Salt Lake City, Utah 84105
(801) 583-6170

*Counsel of Record

Counsel for Respondent

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
OR CALL COLLECT (402) 342-2831

BEST AVAILABLE COPY

QUESTIONS PRESENTED

1. Should certiorari be granted in a case where, under the collateral order doctrine, Petitioner's claimed right is not sufficiently important to overcome the policies militating against interlocutory appeals because that right was created by a private agreement procured through fraud and misrepresentation?

2. Should certiorari be granted for the purpose of possibly expanding the collateral order doctrine to permit an interlocutory appeal in a situation where the Petitioner's contentions regarding the merits of the issues now under appeal can be raised on direct appeal after final judgment?

3. Should this Court grant certiorari and review an interlocutory decision when a final judgment has not been entered by the district court and when Petitioner failed even to attempt to qualify this matter for appellate review by seeking to have the district court include in its order a statement allowing an appeal pursuant to 28 U.S.C. § 1292(b)?

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
TABLE OF AUTHORITIES	iii
OPINIONS BELOW	1
JURISDICTION	2
STATEMENT OF THE CASE	2
REASONS FOR DENYING THE WRIT	3
I. THIS MATTER IS NOT "SUFFICIENTLY IMPORTANT TO OVERCOME THE POLICIES MILITATING AGAINST INTERLOCUTORY APPEALS"	3
II. PETITIONER SHOULD HAVE SOUGHT REVIEW UNDER SECTION 1292(b)	6
III. THE CASES RELIED UPON BY PETITIONER ARE DISTINGUISHABLE	8
CONCLUSION	10

TABLE OF AUTHORITIES

Page

CASES

Abney v. United States, 431 U.S. 651 (1977) 4, 5

Cohen v. Beneficial Indus. Loan Corp., 337 U.S. 541 (1949) ..... *passim*

Coopers & Lyband v. Livesay, 437 U.S. 463 (1978) 8

Forbus v. Sears, Roebuck & Co., 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S.Ct. 412 (1992) 9

Grillet v. Sears, Roebuck & Co., 927 F.2d 217 (5th Cir. 1991, Judge Duhe) 8, 9

Janneh v. GAF Corp., 887 F.2d 432 (2d Cir. 1989) 8, 9

Lauro Lines v. Chasser, 490 U.S. 495 (1989) 4, 5

Midland Asphalt Corp. v. United States, 489 U.S. 794 (1989) 10

Mitchell v. Forsyth, 472 U.S. 511 (1985) 4

Richardson-Merrell, Inc. v. Koller, 472 U.S. 424 (1985) 6

Transtech Industries, Inc., v. A & Z Septic Clean, No. 92-5636 (3d Cir. Sept. 17, 1993) 4, 5, 6, 10

Van Cauwenberghe v. Biard, 486 U.S. 517 (1988) ... 4, 5, 7

STATUTORY PROVISIONS

28 U.S.C. § 1291 5

28 U.S.C. § 1292(b) 3, 7, 11

S. Ct. Rule 10 6

No. 93-405

In The

Supreme Court of the United States

October Term, 1993

DIGITAL EQUIPMENT CORPORATION,

Petitioner,

v.

DESKTOP DIRECT, INC.,

Respondent.

Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Tenth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

Respondent Desktop Direct, Inc., respectfully submits this Brief in Opposition to the petition for a writ of certiorari filed by Petitioner Digital Equipment Corporation seeking to review the decision rendered by the Tenth Circuit Court of Appeals in this matter on May 17, 1993.

OPINIONS BELOW

Petitioner has attached copies of the opinion of the Tenth Circuit in its appendix ("Pet. App.") at 1a (reported at 993 F.2d 755) and 14a (denying rehearing).

JURISDICTION

Respondent contends that there is no appellate jurisdiction over this matter.

STATEMENT OF THE CASE

Respondent Desktop is a small corporation with a handful of employees engaged in the sale of computer related equipment. Petitioner Digital is a multi-billion dollar corporation with thousands of employees, also engaged in the sale of computer-related products. In late 1991 Digital commenced to use the same name that Desktop had been using in its business. Facing a lawsuit by Desktop for unlawful use of the Desktop name, Digital represented to Desktop that it had committed an innocent mistake in using the Desktop name. At the same time, Digital threatened to engage in tactics which would prolong the litigation for years if Desktop did not agree to a settlement.[1] The parties reached a settlement and the lawsuit was dismissed in March 1992.

In May 1992, during an informal conversation, an attorney for Digital informed counsel for Desktop that Digital, with foreknowledge about Desktop Direct, proceeded nevertheless to use Desktop's name over the advice of counsel.[2] Desktop retained new attorneys and filed a motion to set aside the dismissal and reinstate the

[1] Steven Rowley declaration filed by respondent in the district court.

[2] Andrew Bridges, Esq., declaration filed by Respondent in the district court.

lawsuit on the basis that the settlement was induced by Digital's fraudulent misrepresentations.

During the briefing on that motion, Digital admitted that indeed it had foreknowledge of Desktop and the Desktop Direct name, but nevertheless intentionally proceeded to use the same name. Digital had launched a multi-million dollar media campaign promoting "Desktop Direct from Digital."[3]

On the basis of the full and complete submissions of the parties, supplemented with oral argument, the district court granted Desktop's motion and set aside the fraudulently obtained settlement. Digital sought reconsideration and a stay which were denied by the district court.

Digital failed to seek an order under 28 U.S.C. § 1292(b) but instead filed an appeal with the Tenth Circuit Court of Appeals, claiming appellate jurisdiction under the collateral order doctrine and asking the Tenth Circuit for a stay.

The Tenth Circuit ruled that the collateral order doctrine did not apply in a situation such as this and dismissed the appeal and denied the stay. Pet. App. 10a.

REASONS FOR DENYING THE WRIT

I. THIS MATTER IS NOT "SUFFICIENTLY IMPORTANT TO OVERCOME THE POLICIES MILITATING AGAINST INTERLOCUTORY APPEALS."

Digital asserts that, in what the district court found to be a fraudulently obtained settlement, the parties created by their private agreement a "right not to go to

[3] *See* declarations of Barry Yanes and Janis LaRue, Esq., filed by Petitioner in the district court.

trial."[4] Digital now contends that this appeal is necessary to assure the protection of that alleged right. As noted, however, by Justice Scalia in his concurring opinion in *Lauro Lines v. Chasser,* 490 U.S. 495, 503 (1989), the collateral order doctrine should not apply to private agreements:

> We have made that judgment when the right to be tried in a particular court has been created through jurisdictional limitations established by Congress or by international treaty, see *Van Cauwenberghe, supra.* The same judgment applies – if anything, *a fortior* – when the right has been created by private agreement.

In his same opinion (*id.* at 502) Justice Scalia noted [quoting from *Abney v. United States,* 431 U.S. 651 (1977)]:

> [T]o qualify for immediate appeal the order must involve "an important right which would be 'lost probably *irreparably,*' if review had to await final judgment." [Emphasis added.]

The right asserted by Digital in this case is not a constitutional or statutory right. Rather, it is one created by private agreement. The court below found that the "importance test" was not satisfied in this case. That determination was correct and followed the precedents of

---

[4] The fraudulently obtained settlement document contains no statement that Digital has a right not to face trial. While not containing a covenant not to sue, the document does state that the parties release and discharge each other from all claims, actions, suits, and causes of action. It can be argued that the document merely provides a defense to liability rather than creates "a right not to go to trial." See, Mitchell v. Forsyth, 472 U.S. 511 (1985). And see, Transtech Industries, Inc. v. A & Z Septic Clean, No. 92-5636 (3d Cir. Sept. 17, 1993) p. 8.

this Court to the effect that interlocutory appeals should not be allowed when there is no underlying constitutional or statutory right. As the court below properly cautioned, "Expansion of federal court jurisdiction in the absence of congressional authority is ground best trod lightly." Pet. App. 10a. The Tenth Circuit correctly noted (Pet. App. 10a):

> The *Cohen* doctrine was created only to fill an apparently unintentional void left by Congress in 28 U.S.C. §§ 1291 & 1292, and should not be expanded without compelling justification. A claimed right to avoid litigation based on a private contract to that effect does not meet this standard.

Here, by contorting the application of *Cohen,* Digital seeks to expand federal appellate court jurisdiction to include those cases involving merely a private contractual right as opposed to those cases involving constitutional or statutory rights. Such expansion, in the absence of congressional authorization, should not be allowed.

Moreover, being required to go to trial does not cause Digital any "irreparable" loss which is required for application of the collateral order doctrine. *See, Abney v. United States,* 431 U.S. 651, 658 (1977). Instead, Digital faces merely the financial expenses and potential liability incident to any trial for intentional trademark infringement. Such consequences do not meet the "importance test" of *Cohen v. Beneficial Indus. Loan Corp.,* 327 U.S. 541, 546 (1949). Agreeing with such a conclusion, the Third Circuit in *Transtech Industries, Inc. v. A & Z Septic Clean,* No. 92-5636 (3d Cir. Sept. 17, 1993) p.6, referenced this

Court's opinion in *Lauro Lines v. Chasser*, 490 U.S. 495, 499 (1989):

> That an erroneous ruling may result in additional litigation expense " 'is not sufficient to set aside the finality requirement imposed by Congress' [in section 1291]." [Citing *Richardson-Merrell, Inc. v. Koller*, 472 U.S. 424, 436 (1985).]

Further, in refusing to expand the collateral order doctrine, this Court stated in *Van Cauwenberghe v. Biard*, 486 U.S. 517, 525 (Marshall, J.):

> The defendant is not even compelled to be present at trial. We therefore conclude that a right not to stand trial in a civil suit is not an essential aspect of a claim of immunity under the principle of specialty.

Likewise, here it is possible that Digital could default on all remaining issues to be considered at trial and still obtain appellate review of the question regarding whether the settlement agreement was properly set aside by the district court. Hence, Digital's claimed right would not be "irretrievably lost" absent an immediate appeal. *Id.* at 524. Thus, for this reason also the collateral order doctrine should not apply in this case.

II. PETITIONER SHOULD HAVE SOUGHT REVIEW UNDER SECTION 1292(b).

A review on writ of certiorari is not a matter of right, but of judicial discretion. S. Ct. Rule 10. In this case this Court should exercise its discretion and deny the Petition.

When the district court granted Desktop's motion to set aside the settlement, Digital could have requested that

the district court include in his order a statement pursuant to 28 U.S.C. § 1292(b), thereby providing a statutory basis for the appeal to the Tenth Circuit and avoiding any necessity for an attempted expansion of the *Cohen* exception. Digital failed to make such a request.[5]

Instead of seeking to qualify its case for appellate review as permitted by statute, Digital now asks this Court to expand appellate jurisdiction beyond that permitted by statute or precedents of this Court.

The issue now presented by Digital for review by this Court could have been resolved in Digital's favor by the court of appeals without requiring any attention by this Court whatsoever if Digital had successfully attempted to appeal under Section 1292(b).

Digital repeatedly attempts to rely on its alleged contractual right (obtained through fraud and misrepresentation) "not to go to trial." *See, e.g.*, Pet. 19. The validity, if any, of the settlement agreement and such a claimed right could have been determined on appeal if Digital had successfully requested the district court to certify the case under Section 1292(b). Digital failed even to request such certification at the district court level or at the circuit court level. Now, Digital seeks to remedy its failure by asking this Court through a petition for certiorari to expand the narrow application of the collateral order doctrine.

---

[5] In this sense, the arguments supporting Digital's petition for certiorari are not even as strong as those presented unsuccessfully by the defendants-appellants in the *Transtech* case, who at least sought an order under Section 1292(b).

III. THE CASES RELIED UPON BY PETITIONER ARE DISTINGUISHABLE.

Petitioner relies upon three circuit court opinions to bolster its argument that certiorari should be granted so that the collateral order doctrine may be expanded to apply in this case. Those opinions, however, are distinguishable from the case at hand. Any potential conflict in circuit court opinions can be resolved without the intervention of this Court.

For example, in *Grillet v. Sears, Roebuck & Co.*, 927 F.2d 217, 219 (5th Cir. 1991), it was indicated that the collateral order doctrine would not apply if the appellate court were reviewing the question of whether the release was obtained through fraud because issues involving

> the execution of the release, therefore, would involve "considerations that are 'enmeshed in the factual and legal issues comprising' " Grillet's employment discrimination claim. *Coopers & Lybrand*, 437 U.S. at 469.

In this case, of course, the precise issue which would be presented for review by the appellate court would involve the settlement document and whether its execution was procured by fraud. Thus, under *Grillet's* reasoning, the collateral order doctrine would not appropriately apply here.[6]

With respect to the ruling in *Janneh v. GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), it is clear that there is a significant

---

[6] While a Fifth Circuit case, *Grillet* was actually written by Judge Duhe of the Eleventh Circuit.

factual distinction from the case at hand. The opinion in *Janneh* commences with the following (*id.* at 433):

> Should a court system awash in backlog delay further the disposition of a case where there is convincing proof that a settlement has been reached?

Contrary to the facts in *Janneh*, the facts in this case provided convincing proof that a valid and enforceable settlement did not exist. Instead, the district court found that the settlement had been procured by fraud. Thus, if the facts of *Janneh* were similar to those present here, it is likely that that court would have adopted a different analysis. Indeed, if it had followed the suggestion of the court in the *Grillet* case, *supra*, it is probable that the Second Circuit would not have applied the collateral order doctrine under facts similar to those in the present case. The *Janneh* court would not have applied the *Cohen* exception if to do so would have enmeshed it in a determination concerning the validity of the execution of the settlement agreement.

The ruling of the Eleventh Circuit in *Forbus v. Sears, Roebuck & Co.*, 958 F.2d 1036 (11th Cir. 1992), appears to be an aberration from the precedents of this Court. The weakness of the majority opinion in *Forbus* is identified in the dissent of Judge Cox (*id.* at 1042), whose analysis is approved by the court below in this case. Pet. App. 5a. *Forbus* relies heavily on *Grillet* and *Janneh*, but fails entirely to consider *Grillet's* distinction with respect to a case where the court was faced with evaluation of the circumstances surrounding execution of a settlement agreement.

Thus, upon analysis the "sharp conflict" in circuit decisions as asserted by Petitioner is substantially dulled. The recent ruling in *Transtech Industries, Inc. v. A & Z Septic Clean*, No. 92-5636 (3d Cir. Sept. 17, 1993), suggests that if careful attention is given by the circuit courts to the facts of the various matters presented to them, the precedents of this Court can be applied without confusion – assuming, as suggested in *Midland Asphalt*, 489 U.S. at 801, that litigants and courts do not engage in "word games."

CONCLUSION

To permit an interlocutory appeal in every situation where a release or settlement was ruled invalid would increase judicial backlogs and prolong litigation. As in *Transtech*, the Petitioner in this case has surrendered to "what appears to be an irresistible impulse on the part of appellants to invoke the 'collateral order' doctrine whenever the question of appealability arises." If the Petitioner is granted the right to appeal in this case, "[I]t would be difficult to deny [appeal rights] to other litigants who can assert the benefit of such affirmative and dispositive defenses as claim or issue preclusion, statute of limitations, lack of subject matter jurisdiction, and the like." *Transtech* at pp. 7, 9. The exception of *Cohen* should not be expanded to the point where it "swallows the rule" requiring a final order.

As a practical matter, the district court serves as a safeguard in most instances. In close and appropriate

cases, parties may seek an appeal through the process contained in 28 U.S.C. § 1292(b).

The decision of the court below was correct; private agreements do not provide justification for expansion of the *Cohen* exception; the merits of the ruling of the district court can be addressed upon direct appeal after final judgment; the costs of litigation also do not justify expansion of the *Cohen* exception; and the decisions of the circuits can be reconciled.

On the basis of the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

JOHN PAUL KENNEDY*
1385 Yale Avenue
Salt Lake City, Utah 84105
(801) 583-6170

H. ROSS WORKMAN
LARRY R. LAYCOCK
DAVID R. WRIGHT
WORKMAN, NYDEGGER & JENSEN
1000 Eagle Gate Plaza
60 East South Temple, Suite 1000
Salt Lake City, Utah 84111
(801) 533-9800

Counsel for Respondent

*Counsel of Record

Dated: October 11, 1993.